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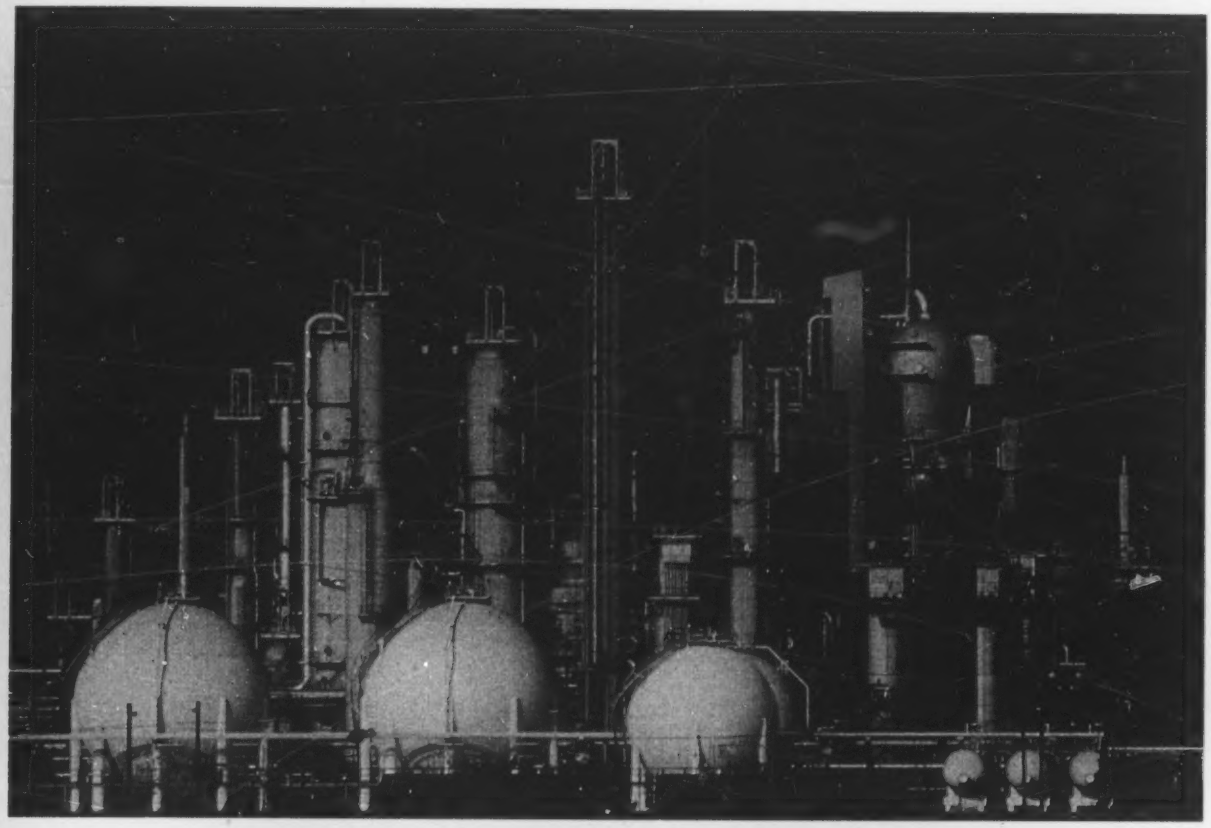

TIME TO PREPARE FOR HIGHER FUEL PRICES

Oil and U.S. government energy officials have been warning about higher fuel prices for months. Despite the warnings, they insist that few people have been listening, including truckers and transportation officials. The evidence points to a significant boost in per barrel prices within five years—a boost that could spell financial disaster for many motor carriers. OEMs have been listening and getting ready with new engine and drivetrain technology. But the big question is: How many motor carriers will be financially capable of buying diesel fuel when today's per barrel cost of $22 reaches $60 or even $100?

By **CARL GLINES**, *Executive Editor,*

The trucking industry is sitting squarely on a time bomb that has started ticking.

Within about five years, according to best estimates, the trucking industry and the rest of the country will be confronted again with rapidly escalating oil prices. The impact on trucking will be profound, informed sources said.

"Price shock has not yet set in," Charles DiBona, president of the American Petroleum Institute, said. "But it will. There will be a sharp rise in oil prices earlier than 10 years from now. The price per-barrel is going to be a lot higher."

Consider, for example, what oil

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professionals are looking at.

• William Martin, deputy secretary of the Department of Energy, in an exclusive interview with CCJ: "There is trouble ahead. It would not be prudent to get 50% of our oil from the Persian Gulf. We need—trucking needs—to look at alternative fuels."

• Donald Hodel, Interior Secretary, predicts the return of gasoline lines in two years. He said increased imports and prices threaten the nation's security.

• The Fund for Renewable Energy and the Environment reported in mid-June: "The U.S. is failing to prepare for inevitable oil price increases that could imperil the national economy and country's security."

• The Aspen Institute for Humanistic Studies, in Queenstown, Md., in a report published earlier this year, states: By 1990, oil imports will account for over 40% of U.S. consumption and will likely surpass 8.6 million barrels daily. "This will hasten OPEC's return to dominance... The huge transfer of wealth to OPEC in the late 1970s and early 1980s can recur," the Institute reported.

• Speaking at the National Press Club in Washington, D.C. this spring, Dr. Armand Hammer, chairman of Occidental Petroleum Co., the world's biggest independent oil company, predicted a $100 per barrel price for imported oil in five years.

(At the time of this writing, the Interstate Commerce Commission was reporting the national average pump price of diesel was $1.06, up from 94¢ a year ago. The per barrel price had been hovering between $18 and $19. By July 17, it had reached $22.)

"The U.S. gave up its oil rights in the Persian Gulf. There is no substitute for oil. Get ready to line up at the pump and for the 'Sorry, No Gas' signs," Hammer said.

• Speaking earlier this year at the National Press Club, Chevron chairman George M. Keller said: "The decline in the nation's ability to produce domestic oil should be a matter of urgent national concern. We are now facing a much more unstable energy future that will include a sharp increase in America's dependence on foreign oil. Within three or four years, a combination of declining domestic production and rising imports could make our nation extremely vulnerable to another major energy crisis."

"Price shock has not yet set in. But it will. There will be a sharp rise in oil prices earlier than 10 years from now. The price per-barrel is going to be a lot higher." ***Charles DiBona, president of the American Petroleum Insti-***

• Fred Palmer, general manager of Western Fuels Association, said: "The energy crisis is back—it just hasn't been announced yet."

While many in the oil industry don't share the 89-year-old Hammer's alarming $100 per barrel prediction, sources do talk about oil in the $40- to $60-a-barrel range within 10 years.

At the height of the country's fuel shortage in the '70s, oil was selling at $32 a barrel. The shortfall was only 7% or 4 million barrels per day worldwide; domestic oil consumption reached over 17 million barrels per day and foreign oil accounted for 35% of that consumption.

Not everyone believes the threat of increased oil prices is as ominous as others say it is. Jack Wolfman, senior economist for Merrill Lynch Economics, New York City, believes the U.S. will see crude oil prices stay at about $25 per barrel for the next decade. Wolfman said: "Demand is not going to skyrocket and the technology and drilling rigs are available for additional exploration."

Wolfman said U.S. consumption is not rising as fast as it did during the 1970s, and the U.S. is using only 20% of its capacity to drill.

"We have a fleet of more than 4,000 on- and off-shore rigs. Today, we are using only 814 rigs."

Sources point out, however, that hundreds of those 4,000 rigs have been abandoned or cannibalized for spare parts and their usefulness for drilling is questionable, especially since many drill operators are broke. Wolfman said the average weighted price per barrel of oil in 1990 would be $20. (The weighted price includes imports and domestic oil.)

When the 1973 Arab embargo was announced, the trucking industry was totally unprepared. Fuel conservation or stretching out truck fuel mileage was not on anyone's mind. However, thanks to a cooperative crash program involving the Society of Automotive Engineers, American Trucking Associations' Maintenance Council and the Department of Transportation, industry suppliers began responding to an obvious need for new technology.

What came out of the embargo for truck users were new, fuel-efficient engines; accelerated demand for radial tires; reduced highway speeds; fan clutches and governors; aerodynamic styling and air shields; plus a new emphasis on lighter weight fiberglass tractors and RFP trailers.

Motor carriers put fuel incentive programs in place for drivers, and tighter controls over fuel use were ordered by cost-conscious managers. Fuel conservation was talked about everywhere. Gasoline prices at the pump approached $2 a gal-

IN THE SHADOW OF STONE MOUNTAIN

As incoming chairman of the American Trucking Associations, Guy Rutland III of Allied Systems Inc., will be faced with a year that is shaping up to be the most crucial period for trucking in a decade filled with crucial years. And this car hauler from Georgia is bent on making 1988 a time of coming together for the ATA and the rest of trucking because, he says, "we can't afford not to."

By **GERALD F. STANDLEY**
Editor-In-Chief

The trucking industry is under more public, political and media scrutiny than ever before, especially in the areas of safety enforcement and drivers. This will place American Trucking Associations, Inc., Alexandria, Va., under a powerful microscope.

In 1988, the industry will have to cope with a long list of pending rulemakings and legislation, the unionized segment of trucking will negotiate a new labor contract with the Teamsters, and the nation will elect a new president.

That is a glimpse at the 1988 agenda which will result in maximum overtime for ATA's Capitol Hill staff. It underscores the need for maximum effectiveness from the trucking lobby.

With that and more steaming in the industry's soup bowl, ATA must prove to itself, its members and in the political arena, that the most powerful trucking lobby can bring the industry's (and its own) fighting factions together.

To do that, ATA will need astute and persuasive leadership. In retrospect, the industry may be thankful that Guy Rutland III, a 50-year-old car hauler from Georgia, was elected 1988 chairman of ATA.

Rutland is chairman of Allied Systems, Inc., a Decatur, Ga. holding company that operates two car hauling companies – Auto Convoy of Dallas, Tex. (started by the Stewart family); and The Motor Convoy, Decatur, Ga.

The Decatur offices of Motor Convoy and Allied Systems are one and the same. The small conservative suburb sits in the shadow of Stone Mountain. A half mile beyond the trees that dominate the view from Rutland's office window is the house in which he was raised. Two blocks away is the building where the Rutland family business was started. From the day he was born, Rutland has lived, worked and played in the shadow of Stone Mountain.

Rutland's soft-spoken manner belies an inner core of adherence to principles and philosophies as strong as the granite rock that casts a figurative shadow over his hometown. Spend some time with him and it becomes obvious that the man has an incredible devotion to his family and community – a bond he is not ashamed to reveal with pride and with passion.

While he often works long

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